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E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS FOR PERIOD JULY 1 - 7

SUMMARY: FURTHER STRONG HINTS OF COMING CUTS IN PUBLIC EXPENDITURE WERE DROPPED BY THE PRIME MINISTER IN A COMMONS DEBATE. SOME JUSTIFICATION FOR THE CUTS MIGHT BE TAKEN FROM THE CHANCELLOR'S REVISED FORECAST OF 5 PERCENT REAL GROWTH OVER THE NEXT 12 MONTHS WHICH CAME AT A TIME WHEN PRIVATE SECTOR BORROWING SHOWED SIGNS OF STRENGTHENING. WHILE RETAIL SALES AND INSTALLMENT BUYING REMAIN WEAK. THE RETURN TO INVENTORY ACCUMULATION BY MANUFACTURERS DURING THE FIRST QUARTER LENDS CREDENCE TO THE CHANCELLOR'S ALTERED EXPECTATIONS. IN LINE WITH THE MORE FAVORABLE ECONOMIC OUTLOOK WAS STERLING'S RECOVERY TO THE \$1.80 LEVEL FOR THE FIRST TIME SINCE MAY. END SUMMARY.

1. HEALEY SEES 5 PERCENT GROWTH

BASED ON PRELIMINARY RESULTS OF THE CURRENT H.M. TREASURY ECONOMIC FORECASTING EXERCISE, CHANCELLOR OF THE EXCHEQUER DENIS HEALEY TOLD THE HOUSE OF COMMONS, JULY 6. THAT HE EXPECTED THE ECONOMY TO GROW BY 5 PERCENT OVER THE NEXT 12 MONTHS, RATHER THAN THE 4 PERCENT FIGURE CONTAINED IN THE APRIL BUDGET MESSAGE (I.E., FIRST HALF 77 OVER FIRST HALF 76). INDUSTRIAL PRODUCTION WOULD RISE BY 9 PERCENT DURING THE SAME PERIOD. HEALEY SAID THAT THIS HIGHER GROWTH WAS CONSISTENT WITH REDUCING UNEMPLOYMENT. WHICH WOULD BE DECLINING BY YEAR END, TO 3 PERCENT IN 1979. THE CHANCELLOR SAID THAT THE FASTER RATE OF GROWTH WOULD REDUCE THE PUBLIC SECTOR BORROWING REQUIREMENT TO A FIGURE "SOMEWHAT BELOW" THE 12 BILLION POUND FIGURE CONTAINED IN THE BUDGET. HOWEVER, THE CHANCELLOR REPEATED HIS ASSURANCE THAT THE MONEY SUPPLY WOULD BE KEPT UNDER STRICT CONTROL AND THAT SHOULD ANY FURTHER RESTRAINT BE REQUIRED. APPROPRIATELY TIMED ACTION WOULD BE TAKEN. ONE POSSIBLE MEASURE TO CONTROL THE MONEY SUPPLY MIGHT BE FURTHER SPECIAL DEPOSITS BY THE BANKING SYSTEM WITH THE BANK OF ENGLAND. ANOTHER COULD BE THE SALES OF NEW LONG TERM GOVERNMENT BONDS SIMILAR TO THE 800 MILLION POUND ISSUE ANNOUNCED IN CONJUNCTION WITH THE 5.3 BILLION

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SWAP LINE. ON THE SUBJECT OF PRICES, THE CHANCELLOR ADMITTED THAT THE DECLINE IN STERLING HAD RAISED RAW MATERIALS COSTS EARLIER THAN ANTICIPATED, BUT SAID THAT UK INFLATION SHOULD HAVE REACHED INTERNATIONAL LEVELS BY THE END OF 1977. POINTING TO RISING PRICES IN OTHER EC COUNTRIES AND THE 4.5 PERCENT WAGE AGREEMENT WITH THE UNIONS, THE CHANCELLOR SAID, "I WOULD NOT BE SURPRISED TO FIND THAT THE RATE OF INFLATION IN OTHER COUNTRIES WILL MOVE PAST

OURS IN THE COMING WINTER.

THE DEBATE THEN TURNED TO ANTICIPATED CUTS IN PUBLIC EXPENDITURE. THE PRIME MINISTER INDICATED THAT THERE WOULD BE PUBLIC UNDERSTANDING OF THE NEED TO "REIGN BACK (SPENDING) FOR A YEAR OR SO."

THE GOVERNMENT HAD ERRED IN BELIEVING THAT PUBLIC EXPENDITURE DECISIONS COULD BE MADE SOLELY ON THE BASIS OF AVAILABLE REAL RESOURCES WITHOUT CONSIDERING IF ADEQUATE FINANCING WERE ALSO AVAILABLE.

AT PRESENT, ONLY THE 1977/78 SPENDING PLANS WERE BEING REVIEWED. THOSE FOR 1978/9 REMAIN UNCHANGED.

EVERY EFFORT WOULD BE MADE TO INSURE THAT COMPANIES RECEIVING INVESTMENT INCENTIVES AND RELIEF THROUGH PRICE INCREASES ACTUALLY FOLLOWED THROUGH ON THEIR INVESTMENT PLANS.

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2. BUSINESS OPINION SURVEY. THE FINANCIAL TIMES SURVEY OF BUSINESS OPINION FOR JUNE INDICATES A CONSOLIDATING OF THE SHARP IMPROVEMENT IN BUSINESS SENTIMENT REVEALED IN THE PAST SEVERAL MONTHLY SURVEYS

WHILE 96 PERCENT OF RESPONDENTS ARE MORE OPTIMISTIC OR NEUTRAL ABOUT THEIR FIRMS' PROSPECTS, A FIGURE UNCHANGED FROM THE MAY SURVEY, THE BALANCE HAS SHIFTED IN FAVOR OF A NEUTRAL OUTLOOK WHICH IS FAVORED BY 49 PERCENT OVER THE 47 PERCENT WHO ARE OPTIMISTIC ABOUT PROSPECTS. THE BALANCE IN MAY WAS 51 PERCENT (OPTIMISTIC) VERSUS 45 PERCENT (NEUTRAL). FAVORABLE EXPORT PROSPECTS ARE A MAJOR FACTOR UNDERLYING THE CONFIDENT OUTLOOK. FULLY 88 PERCENT OF FIRMS LOOK FOR HIGHER EXPORTS OVER THE NEXT YEAR WITH JUST 1 PERCENT BELIEVING THEIR EXPORTS WILL DECLINE. THE TREND IN NEW ORDERS OVER THE PAST 4 MONTHS HAS CONTINUED ITS STEADY IMPROVEMENT. FIRMS REPORTING A RISING TREND IN NEW ORDERS OUTNUMBER THOSE REPORTING A DECLINE BY 44 PERCENT TO 18 PERCENT. THE COMPARABLE FIGURES FOR MARCH WERE 28 PERCENT AND 40 PERCENT. HOWEVER, THE SALES OUTLOOK OVER THE NEXT 12 MONTHS SHOWS SOME SIGN OF DETERIORATION. THIRTY-NINE PERCENT OF FIRMS EXPECT SALES INCREASES OF 5 TO 14 PERCENT COMPARED WITH 46 PERCENT A MONTH EARLIER. AND 45 PERCENT SEE NO CHANGE IN THE LEVEL OF SALES COMPARED WITH 42 PERCENT IN MAY. HOWEVER, THESE ARE MARGINAL SHIFTS AND DO NOT APPEAR TO PRESENT ANY SIGNIFICANT CHANGE IN EXPECTATIONS.

THE MOST SERIOUS FACTOR CURRENTLY AFFECTING PRODUCTION CONTINUES TO BE WEAK HOME DEMAND. IT WAS CITED BY 91 PERCENT OF ALL RESPONDENTS AND HAS SHOWN LITTLE CHANGE

SINCE MARCH. THE NEXT MOST FREQUENTLY CITED FACTOR IS EXPORT DEMAND. HOWEVER, THE NUMBER OF RESPONDENTS MENTIONING THIS FACTOR DROPPED TO 48 PERCENT COMPARED WITH 59 PERCENT IN MARCH. OTHER FACTORS SUCH AS AVAILABILITY OF LABOR, RAW MATERIALS' PRODUCTIVE CAPACITY, AND FINANCE WERE MENTIONED BY LESS THAN 10 PERCENT OF FIRMS.

FORTY-SEVEN PERCENT OF THE FIRMS SEEMED SATISFIED WITH CURRENT LEVELS OF RAW MATERIALS INVENTORIES WHILE 38 PERCENT EXPECT TO INCREASE THEIR STOCKS OVER THE NEXT YEAR. THIS LATTER FIGURE HAS DECLINED STEADILY SINCE MARCH WHEN IT STOOD AT 48 PERCENT INDICATING THAT A MASSIVE MOVE TOWARD RESTOCKING IS NOT LIKELY DURING THE REST

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OF THIS YEAR. THE SAME PATTERN HOLDS FOR INVENTORIES OF FINISHED MANUFACTURES. THE NUMBER OF FIRMS EXPECTING TO INCREASE THEIR STOCKS FELL TO 22 PERCENT IN JUNE FROM 36 PERCENT IN MARCH WHILE THOSE SATISFIED WITH CURRENT STOCK LEVELS INCREASED FROM 36 TO 46 PERCENT OVER THE SAME PERIOD.

THE SURVEY SHOWS LITTLE SIGN OF A RAPID UPTURN IN EMPLOYMENT. FIFTY-ONE PERCENT OF FIRMS EXPECT NO CHANGE IN THE LEVEL OF HIRING OVER THE NEXT YEAR COMPARED WITH 40 PERCENT IN MARCH, WHILE 19 PERCENT EXPECT TO INCREASE THEIR LABOR FORCE, A FIGURE UNCHANGED SINCE MARCH. HOWEVER, FIRMS EXPECTING TO SHED LABOR DECLINED FROM 41 PERCENT OF THE SAMPLE IN MARCH TO 30 PERCENT IN JUNE.

SIGNS OF THE EXPECTED UPTURN IN CAPITAL INVESTMENT ARE BEGINNING TO APPEAR. FIRMS EXPECTING TO INCREASE THEIR VOLUME OF CAPITAL SPENDING OVER THE NEXT YEAR COMPRISE 30 PERCENT OF THE TOTAL, UP FROM 25 PERCENT IN MARCH WHILE THOSE EXPECTING TO REDUCE CAPITAL SPENDING DROPPED FROM 38 PERCENT TO 29 PERCENT OVER THE SAME PERIOD. THIS SHIFT IN INTENTIONS IS BUTTRESSED BY THE GROWING NUMBER OF FIRMS (59 PERCENT) OPERATING AT OR ABOVE TARGET CAPACITY.

FURTHER ENCOURAGEMENT IS PROVIDED BY THE MOVEMENT IN EXPECTED WAGE COSTS IN LIGHT OF 4.5 PERCENT STAGE TWO INCOMES POLICY. IN THE CURRENT SURVEY, 42 PERCENT OF FIRMS EXPECTED WAGE COSTS TO RISE BY BETWEEN ZERO AND 9 PERCENT COMPARED TO ONLY 10 PERCENT OF FIRMS IN MARCH IN SPITE OF THIS IMPROVEMENT. 34 PERCENT OF FIRMS EXPECT WAGE INCREASES OF 10 TO 14 PERCENT. THE EXPECTED MOVEMENT IN OVERALL UNIT COSTS, REFLECTING RISES IN BOTH LABOR AND MATERIALS COSTS, IS NOT AS POSITIVE. ONLY 21 PERCENT OF FIRMS FORESEE RISES IN THE ZERO TO 9 PERCENT RANGE WHILE NEARLY HALF (49 PERCENT) OF RESPONDENTS BELIEVE UNITCOSTS WOULD RISE BY 10 TO 14 PERCENT. THESE RESPONSES REFLECT AN EXPECTATION THAT AS THE DECLINE IN STERLING IS PASSED THROUGH IN PRICE INCREASES FOR RAW MATERIALS, OVERALL

COSTS WILL RISE. AS A RESULT' THERE IS A BELIEF THAT THE
OUTLOOK WILL BE LESS POSITIVE THAN IN THE MAY SURVEY
WHERE 48 PERCENT OF FIRMS ANTICIPATED HIGHER EARNINGS
THIS YEAR WHILE 32 PERCENT SAW NO CHANGE AND 18 PERCENT
BELIEVED THEY WOULD EXPERIENCE LOWER EARNINGS. THE CUR-
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RENT SURVEY FIGURES ARE 45, 30 AND 22 PERCENT RESPECTIVELY

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IT IS REASONABLE TO CONCLUDE THAT THE OVERALL SURVEY
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RESULTS POINT TO A CONTINUING PATTERN OF RECOVERY WITH ANY NERVOUSNESS ON THE PART OF BUSINESS CENTERED ON THE LEVEL OF DEMAND AND THE DEGREE TO WHICH RISING RAW MATERIALS COSTS MAY NARROW PROFIT MARGINS.

3. INSTALLMENT CREDIT. THE AMOUNT OF NEW INSTALLMENT CREDIT EXTENDED IN MAY SHOWED LITTLE INCREASE. FINANCE HOUSES MADE NEW LOANS TOTALLING 126 MILLION POUNDS IN MAY COMPARED WITH 127 MILLION POUNDS IN APRIL WHILE RETAILERS EXTENDED 165 MILLION POUNDS IN NEW CREDIT TO THEIR CUSTOMERS AFTER 164 MILLION IN APRIL. THE MAY TOTAL OF 291 MILLION POUNDS WAS UNCHANGED FROM THE APRIL FIGURE. DISAGGREGATING THE FIGURES AMONG DURABLE GOODS SHOPS, DEPARTMENT STORES, AND OTHER RETAILERS SHOWS THAT DEPARTMENT STORES INCREASED THE LEVEL OF THEIR SALES FINANCED BY INSTALLMENT CREDIT BY 14.5 PERCENT IN MAY WHILE THE OTHER TWO CATEGORIES SHOWED NEGLIGIBLE CHANGES OVER THAT PERIOD. HOWEVER, THE JUMP IN DEPARTMENT STORE CREDIT SALES COMES ON THE HEELS OF A 23.1 PERCENT DROP BETWEEN MARCH AND APRIL AND THUS REPRESENTS A MOVEMENT BACK TOWARD AVERAGE LEVEL OF SALES ESTABLISHED OVER THE 6 MONTHS TO MAY. INSTALLMENT SALES LIKE RETAIL SALES AS A WHOLE SHOW VERY LITTLE INDICATION OF ANY UNDERLYING STRENGTH IN CONSUMER EXPENDITURE. THIS COINCIDES WITH THE GOVERNMENT'S STRATEGY OF EXPORT AND INVESTMENT-LED GROWTH.

4. RETAIL SALES. THE INDEX OF RETAIL SALES VOLUME (1971 EQUALS 100) FOR MAY WAS REVISED UPWARD TO 105.7 FROM THE PROVISIONAL ESTIMATE OF 105.5. THIS REPRESENTS A DECLINE OF 2.6 PERCENT FROM THE APRIL LEVEL OF 108.5. THE DECLINE IN MAY FOLLOWED A STRONG INCREASE IN SALES IN APRIL IN THE WAKE OF THE REDUCTION IN THE VALUE ADDED TAX ANNOUNCED IN THE BUDGET. OVER THE PAST THREE MONTHS, THE VOLUME OF SALES HAS DROPPED BY 1.5 PERCENT WHEN COMPARED

TO THE DECEMBER-FEBRUARY PERIOD. THIS WEAKNESS STEMS FROM THE CONTINUING SQUEEZE ON REAL DISPOSABLE PERSONAL INCOME BROUGHT ABOUT BY THE SIX-POUND (11-13 PERCENT) PAY CEILING AND INFLATION WHICH HAS BEEN RUNNING AT AN ANNUAL RATE OF 14-15 PERCENT OVER THE PAST SIX MONTHS. THE OUT-LOOK FOR RETAIL SALES FOR THE NEXT 3 MONTHS IS FOR LITTLE CHANGE IN CURRENT TREND. END OF SEASON SALES IN

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JULY AND A ONE-SHOT TAX REBATE AVERAGING 30 POUNDS IN AUGUST MAY INFLUENCE THE FIGURES FOR THOSE MONTHS BUT ARE NOT LIKELY TO EXERT ANY LONGER-RUN INFLUENCE ON THE LEVELS OF SALES.

5. INVENTORIES RISE. AFTER FOUR CONSECUTIVE QUARTERS OF DECLINE, REVISED FIGURES SHOW THAT MANUFACTURERS' INVENTORIES GREW BY 16 MILLION POUNDS (1970 PRICES) WHILE OVERALL INVENTORIES GREW BY 14 MILLION POUNDS DURING THE FIRST QUARTER OF 1976 COMPARED WITH THE PROVISIONAL ESTIMATE OF A 7 MILLION POUND DECLINE. THE TOTAL FOR MANUFACTURING REPRESENTS AN INCREASE OF 35 MILLION POUNDS IN WORK IN PROGRESS. A RISE OF 51 MILLION POUNDS IN STOCKS OF FURNISHED GOODS AND A DECLINE OF 70 MILLION POUNDS IN STOCKS OF RAW MATERIALS AND FUELS. THE RETURN TO POSITIVE ACCUMULATION MEANS THAT THE ACTUAL SHIFT IN INVENTORIES SINCE THE FOURTH QUARTER OF 1975 WAS 82 MILLION POUNDS SINCE RETAILERS AND DISTRIBUTORS HAVE ENDED THEIR PERIOD OF DESTOCKING, IT APPEARS LIKELY THAT INVENTORY ACCUMULATION HAS BEGUN ABOUT TWO QUARTERS EARLIER THAN WAS OFFICIALLY FORECAST AT THE TIME OF THE BUDGET AND LENDS WEIGHT TO THE CHANCELLOR'S HIGHER GROWTH RATE FORECAST (SEE PARA. 1).

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6. LENDING BY U.K. CLEARING BANKS STERLING LENDING BY U.K. CLEARING BANKS TO THE PRIVATE SECTOR ROSE BY 131 MILLION POUNDS IN THE FOUR-WEEK PERIOD ENDING JUNE 16. THIS WAS THE THIRD CONSECUTIVE MONTH IN WHICH THERE HAS BEEN AN UNDERLYING INCREASE IN LENDING. WHILE MANY OBSERVERS ATTRIBUTED THE EARLIER INCREASES ALMOST SOLELY TO "LEADS AND LAGS" BECAUSE OF THE CONTINUED DECLINE OF THE POUND. MANY NOW BELIEVE THAT AT LEAST SOME OF THE LATEST INCREASE RESULTED FROM RENEWED CORPORATE BORROWING WHICH HAD EARLIER SHIFTED TO THE SHORT-TERM MONEY MARKET IN

SEARCH OF LOWER INTEREST RATES. THE BANKING INFORMATION SERVICE, WHICH REPRESENTS ALL THE LONDON CLEARING BANKS COMMENTS THAT: "THIS IS THE THIRD CONSECUTIVE MONTH IN WHICH THERE HAS BEEN AN UNDERLYING INCREASE IN ADVANCES. APART FROM SWITCHING OF BORROWING TO THE CLEARING BANKS BY CORPORATE CUSTOMERS AND SOME EARLIER BORROWING TO COVER CHANGES IN THE PATTERN OF OVERSEAS PAYMENTS AND RECEIPTS ASSOCIATED WITH THE WEAKNESS OF STERLING' THERE NOW SEEM TO BE SOME SIGNS THAT THE REPORTED IMPROVEMENT IN CONFIDENCE AMONG INDUSTRIAL AND COMMERCIAL ENTERPRISES IS BEGINNING TO SHOW IN AN INCREASE IN THEIR LOAN REQUIREMENT." THE CLEARING BANKS THEMSELVES ARE REPORTEDLY HESITANT TO PLACE TOO MUCH SIGNIFICANCE IN THE RECENT FIGURES, ALTHOUGH THEY DO FEEL THAT A PORTION OF THE INCREASE IS ASSOCIATED WITH RESTOCKING

IT IS, HOWEVER, NOTED THAT THE RECENT INCREASES HAVE COME AT A TIME WHEN SEASONAL FACTORS WOULD NORMALLY BE EXPECTED TO LEAD TO A SHARP DECLINE RATHER THAN A SUBSTANTIAL INCREASE. THIS LEADS SOME TO BELIEVE THAT THE UNDERLYING DEMAND MIGHT BE GREATER THAN ORIGINALLY THOUGHT OR REFLECTED BY THE ACTUAL LEVEL OF THE FIGURES.

7. FOREIGN CAR IMPORTS INCREASE. INCREASED IMPORT PENETRATION IN THE U.K. AUTO MARKET DURING JUNE CAUSED RE-NEWED DEMANDS FOR SOME TYPE OF SELECTIVE IMPORT CONTROLS. IMPORTED AUTOS ACCOUNTED FOR 36.9 PERCENT OF ALL SALES IN JUNE COMPARED WITH 30.7 A YEAR EARLIER. IN THE FIRST SIX MONTHS OF 1976, THE IMPORT SHARE ROSE FROM 32.5 PERCENT TO 35.3 PERCENT. THE POSITION OF JAPANESE IMPORTS STILL REMAINS THE CENTER OF CONCERN ACCORDING TO U.K. MANUFACTURERS, WHO HOPE THAT SOME TYPE OF VOLUNTARY UNCLASSIFIED

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RESTRAINT CAN STILL BE AGREED. IN ADDITION, U.K. MANUFACTURERS ARE WORRIED THAT IMPORTS WILL TAKE AN EXCEPTIONALLY LARGE SHARE OF THE AUGUST SALES WHICH NORMALLY RISE ABRUPTLY BECAUSE OF THE START OF THE NEW REGISTRATION YEAR. THE STOCKS OF DOMESTICALLY PRODUCED VEHICLES ARE EXCEPTIONALLY LOW' PARTICULARLY THOSE OF BRITISH LEYLAND WHICH LOST VALUABLE PRODUCTION TIME DUE TO STRIKES IN APRIL. THE SURGE OF IMPORT SALES LAST AUGUST PROMPTED A FURORE OVER POSSIBLE IMPORT CONTROLS WHICH, UNLESS DOMESTIC PRODUCERS ARE ABLE TO HOLD THEIR MARKET SHARE, CAN BE EXPECTED TO BE REPEATED

8. OFFICIAL RESERVES. U.K. OFFICIAL RESERVES DECLINED BY \$111 MILLION IN JUNE TO A LEVEL OF \$5,312 MILLION. THE DECLINE, HOWEVER, IS DIFFICULT TO INTERPRET SINCE IT FOLLOWED ACCRUALS OF FOREIGN CURRENCY BORROWING BY THE PUBLIC SECTOR (\$395 MILLION). SERVICING OF LONG-TERM

DEBT (\$29 MILLION) AND AN UNDISCLOSED AMOUNT OF DRAWING FROM THE \$5.3 BILLION STAND-BY FACILITY ARRANGED IN EARLY JUNE. PRESS REPORTS INDICATE A LARGE VOLUME OF BANK OF ENGLAND INTERVENTION DURING THE MONTH AND SPECULATE THAT

DRAWINGS OF PERHAPS OVER \$1.5 BILLION FROM THE STAND-BY FACILITY TOOK PLACE ON OR AFTER JUNE 22. HOWEVER, SINCE THE ACTUAL AMOUNT OF DRAWING IS UNKNOWN, THE LEVEL OF OFFICIAL RESERVES PROVIDES NEITHER A GUIDE TO THE AMOUNT OF INTERVENTION NOR TO THE NET LEVEL OF RESERVES AFTER TAKING OFFICIAL BORROWING INTO ACCOUNT

9. FOREIGN EXCHANGE MARKETS. STRONG COMMERCIAL DEMAND FOR STERLING WAS APPARENT THROUGHOUT THE WEEK. THE DOLLAR/STERLING RATE ROSE TO \$1.8050 ON WEDNESDAY. (7/6). THE HIGHEST LEVEL SINCE MAY 20. REPORTS INDICATE STRONG. TWO-WAY COMMERCIAL TRADING WITH NO EVIDENCE OF BANK OF ENGLAND SUPPORT. THERE WERE. IN FACT, REPORTS OF SOME OFFICIAL SELLING OF STERLING TO SMOOTH THE UPWARD MOVEMENT WITH THE „SECONDARY" EFFECT OF REPLENISHING FOREIGN EXCHANGE RESERVE HOLDINGS. THERE NOW APPEARS TO BE LITTLE DOUBT THAT THE \$5.3 BILLION STAND-BY FACILITY HAD A STABILIZING EFFECT ON THE MARKET BY GIVING THE BOE THE NEEDED RESERVES TO SUCCESSFULLY CARRY OUT A CLASSIC BEAR

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SQUEEZE IN THE EUROSTERLING AND FORWARD MARKETS. THE CONTINUING TALK OF AN EARLY ANNOUNCEMENT OF CUTS IN PUBLIC

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SPENDING HAS BEEN CITED AS AN ADDITIONAL FACTOR IN THE RE-
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CENT IMPROVEMENT.

10. EXCHANGE RATE AND GOLD

EFFECTIVE

DATE	EXCHANGE RATE (\$)	DEPRECIATION (PERCENT)	GOLD
6/30	1.7850	38.8	\$123.7/8
7/1	1.7890	38.5	\$123-1/8
7/2	1.7930	38.4	\$123-3/8
7/5	1.7990	38.3	\$123-1/8
7/6	1.8030	38.0	\$123-3/8

CHANGE 6/29-7/6 UP 0.0225 NARROWED 0.9 DN \$0.25

11. FORWARD DISCOUNT ON STERLING

DATE	1 MONTH	3 MONTHS	6 MONTHS
6/30	1.40	3.73	6.15
7/1	1.15	3.37	5.75
7/2	1.25	3.45	5.85
7/5	1.35	3.35	5.75
7/6	1.20	3.20	5.70

CHANGE 6/29-7/6 DN 0.30 DN 0.48 DN 0.50
(ALL FIGURES IN CENTS)

12. EURODOLLAR INTEREST RATES

DATE	1 MONTH	3 MONTHS	6 MONTHS
6/30	5-3/8	6-3/8	6-3/4
7/1	6	6-1/8	6-3/4
7/2	6	6	6-3/4
7/5	5-5/8	5-7/8	6-3/4
7/6	5-3/4	6	6-5/8

CHANGE 6/29-7/6 DN 1/8 DN 1/4 DN 1/4

L3. THREE -MONTH LONDON INTERBANK - EURODOLLAR INTEREST
RATE DIFFERENTIAL

DATE	
6/30	4-27/32
7/1	5-1/32
7/2	5-5/32
7/5	5 5/32
7/6	5-3/32

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14. STERLING CERTIFICATES OF DEPOSIT

DATE	1 MONTH	3 MONTHS	6 MONTHS
6/30	L1-1/8	11-3/16	11-5/16
7/1	10.31/32	11-1/8	11-7/32
7/2	11-1/32	11.1/16	11-3/16
7/5	11-1/16	11-1/8	11-3/16
7/6	11-1/32	11-1/16	11-1/8

CHANGE 6/29-7/6 DN 5/32 DN 1/8 DN 3/16

L5 THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 11-1/2 PERCENT ON FRIDAY, JULY 2. THE TREASURY BILL RATE FELL 0.1213 PERCENT TO 10.8706 PERCENT AS THE 500 MILLION POUNDS OF BILLS OFFERED DREW BIDS OF 1,336.54 MILLION POUNDS.

SPIERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LONDON10553
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760261-1090
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760784/aaaacwbm.tel
Line Count: 704
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Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
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Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: schwenja
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2004
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Review Exemptions: n/a
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Margaret P. Grafeld
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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS FOR PERIOD JULY 1 - 7 SUMMARY: FURTHER STRONG HINTS OF COMING CUTS IN PUBLIC
TAGS: ECON, UK
To: TRSY STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006